

# NATIONAL CREDIT UNION ADMINISTRATION

# NCUA News

**BOARD ACTIONS FEBURARY 3, 2000**

## Loans Increase by Double Digits

Federally insured credit union loan demand increased a significant 10.5 percent according to final 1999 year-end data submitted on 5300 Call Reports by the nation's 10,628 federally insured credit unions.

Loans surged, while assets, savings and equity at federally insured credit unions increased and investments declined. Looking at specific changes that occurred in several major balance sheet categories and a few pertinent ratios fluctuations:

- Assets increased 5.8 percent, up from \$388.7 to \$411.4 billion;
- Loans increased 10.5 percent, up from \$245.7 to \$271.5 billion;
- Savings increased 5 percent, up from \$340 to \$356.9 billion;
- Equity increased 6.6 percent, up from \$42.4 to \$45.2 billion;
- Delinquency ratio declined, down from 0.9 to 0.8 percent; and
- Loan to Share ratio increased, up from 72.3 to 76.1 percent.

For a second year, the largest category of loans, 1<sup>st</sup> mortgage real estate loans led loan growth, increasing 15.5 percent during the year, up from \$61.4 to \$70.9 billion at federally insured credit unions. Also following last year's trend, the second largest loan category, used auto loans, grew a healthy 12.5 percent, increasing from \$48.5 to \$54.5 billion, while new auto loans turned around the previous year's slight decline with a 9.6 percent gain in 1999. New auto loans increased from \$47.8 to \$52.4 billion in 1999. The smaller, but still significant category of other real estate loans also showed noteworthy gain, increasing 12.4 percent, up from \$29.3 to \$33.1 billion.

As credit unions' loan pace increased, the money held in investments declined.

Savings increased across the board. The largest gain appeared in money market shares, which increased 16.3 percent, up from \$40.8 to \$47.4 billion. The largest category of savings, regular shares increased 2.6 percent, up from \$130.6 to \$134 billion, while share certificates grew 4.1 percent, up from \$85.9 to \$89.5 billion.

Reflecting the nation's strong economy, the delinquency ratio returned to its historic low .8 percent as nearly every category of delinquent loans declined at federally insured credit unions. Total delinquent loans declined 5.3 percent and delinquent credit cards declined 10.9 percent. The number of members who filed for bankruptcy declined 12 percent.

**April 2000, Number 3**

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Net income increased 7.9 percent, up from \$3.5 to 3.7 billion. Regular reserves increased 9.2 percent, up from \$12.5 to \$13.6 billion, and equity increased 6.6 percent, up from \$42.4 to \$45.2 billion. Membership in federally insured credit unions surpassed 75.3 million people in 1999, a 2.4 percent increase.

*Statistical Charts are on Page 4.*



*February 8, 2000, NCUA —Chairman Norman E. D'Amours welcomes new NAFCU President Fred Becker, Jr. to NCUA at a get acquainted meeting where discussions centered on issues concerning federal credit union activities, legislation and regulation.*

## News Briefs

**Upcoming Testimony** – Chairman Norman E. D'Amours will testify March 28 on the annual review of Central Liquidity Facility operations before the House VA-HUD Subcommittee on Independent Agencies.

**Revolving Loan Fund & CLF**—NCUA Public & Congressional Affairs, CLF and Community Development CU Office officials have been meeting with House and Senate Appropriations Committee staff discussing the need for additional funds for community development credit union loans and technical assistance and the need to eliminate the cap on CLF borrowing authority.

**Student Internship Program**—NCUA hopes to distribute up to 25 stipends, at a maximum \$2,500 each, to help defray the cost of students working in low-income designated credit unions during the upcoming summer. The NCUA program encourages credit unions to partner and develop the skills of college juniors or seniors majoring in business, marketing, accounting or information systems. The goal is to develop a cadre of college

graduates who are familiar and interested in a career in credit unions.

**Share Insurance Fund Adjustments/Operating Fees**—Immediately upon completion of the 5300 data upload, NCUA released 3,279 refunds totaling \$15.7 million to credit unions that reported a reduction in share deposits during 1999. Invoices for capitalization deposit adjustments and operating fees were released in early March.

**Supervisory Committee Guide Updated**—A new, updated Supervisory Committee Guide was issued in March.

## Upcoming Board Items

Within the next few months, the NCUA Board is expected to act on the following rule changes:

- Final Leasing rule, Part 714 – Finance leasing of personal property;
- Final Share Insurance rule, Part 745—Expand, clarify and gain parity coverage;
- Final Truth in Savings rule, Part 707—Electronic delivery of periodic statement disclosures; and
- Final Secondary Capital rule, Part 701—Conform secondary capital rule to PCA

## Community Development Revolving Loan Fund Activity March 1, 2000

### Loans

Approved in February	3
Amount	\$540,000
Total Loans Outstanding	70
Total Loan Amount	\$7,456,934

### Technical Assistant Grants

Approved in February	9
Amount	\$21,614
YTD Grants Issued	11
YTD Grant Totals	\$35,872

## NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

**Norman D'Amours, Chairman**  
**Yolanda T. Wheat, Board Member**  
**Dennis Dollar, Board Member**

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

Robert E. Loftus, *Director,*  
 Office of Public and Congressional Affairs  
 Cherie Umbel, *Editor*  
 Barbara Walker, *Graphics*

National Credit Union Administration  
 1775 Duke Street  
 Alexandria, VA 22314-3428  
[www.ncua.gov](http://www.ncua.gov)



Feb. 29, 2000, Alex., Va.—Board Member Dennis Dollar (third from the left standing) with a delegation of credit union officials from Maine visiting NCUA headquarters during the CUNA Governmental Affairs Conference.

## **BOARD ACTIONS**

### **FEBRUARY 24, 2000**

#### **NCUA Adopts Six-Year Strategic Plan**

The NCUA Board approved a new six-year strategic plan for 2000 to 2005 based on requirements of the Government Performance and Results Act and emphasizing the following:

- A continued focus on examination and supervision geared to ensure safe and sound credit unions;
- A financial management view that encourages credit union preparation for the future;
- A proactive approach to help to facilitate the successful integration of credit union financial services and technology;
- A regulatory approach that recognizes the need for credit unions to take reasonable risks and facilitates the entrepreneurial activities of credit unions; and
- A revitalized outreach effort, in partnership with the credit union community, to provide financial services to the American public, with special emphasis on those of modest means.

To emphasize these areas, the strategic plan identifies five strategic goals.

1. Promote a system of financially sound, well-managed federally insured credit unions able to withstand economic volatility.
2. Ensure that credit unions are prepared to safely integrate financial services and emerging technology in order to meet members' changing needs.
3. Create a regulatory environment that facilitates credit union innovation to meet member financial service expectations.
4. Enable credit unions to leverage their unique place in the American financial services sector to make service available to all Americans who are not currently being served, particularly those of modest means.
5. Enhance NCUA's ability to serve as

a proactive partner with the credit union community in addressing the challenges of the 21<sup>st</sup> century.

During the nearly year-long development of the plan, NCUA actively sought input from trade associations, credit unions, and others in the credit union community. Initially, NCUA surveyed a broad assortment of individuals to get a picture of major challenges facing credit unions and then developed a plan to address those challenges. NCUA's 2000-2005 Strategic Plan, on the web at [www.ncua.gov/org/strategic.html](http://www.ncua.gov/org/strategic.html), will be implemented through annual performance plans.

#### **FCU Converts to Community Charter**

By a 2 to 1 vote, the NCUA Board approved the request of \$69.5 million, low-income WESLA Federal to convert from an occupational to a community charter able to serve the 338,695 people in the community of Caddo and Bossier Parishes, Louisiana.

#### **Corporate CU Gains Waiver**

The NCUA Board granted the request of First Carolina Corporate Credit Union to waive a limitation in Section 704.2 of the R&Rs and permit the credit union to accept \$34.5 million in member paid-in-capital thereby exceeding reserves and undivided earnings.

The corporate made the request in order to increase its financial strength. The waiver will expire when First Carolina's reserves and undivided earnings reach \$34.5 million.

#### **Rule Proposed on Treatment of Assets by Conservator or Liquidation Agent**

The NCUA Board issued a proposal, with a 30-day comment period, to ensure that property transferred by a federally insured credit union to another party during

a securitization of assets or in the form of a participation is put beyond the reach of the conservator or liquidating agent and deemed to be in legal isolation in accord with the Financial Accounting Standards Board's Statement No. 125.

The proposal also establishes that as conservator or liquidating agent the NCUA Board would not seek to avoid an otherwise enforceable security interest in collateral for public funds deposited with a credit union solely because the collateral was not exchanged with the execution of the security agreement or was later changed.

#### **Privacy Proposal Issued**

The NCUA Board issued a proposed privacy regulation implementing a recent law designed to protect the privacy of consumers' financial records. The comment period ends March 31, 2000, in order to meet the statutory requirement that final NCUA regulations be in place by May 12, 2000.

As proposed, the rule requires that all federally insured credit unions have a privacy policy and make disclosures to consumers from whom they collect certain personal information. The rule describes when a credit union may disclose nonpublic personal information to a non-affiliated third party, and it provides the method for a consumer to "opt out" of information disclosure if desired. In some cases, credit unions will be required to provide notices to nonmembers who have an ongoing customer relationship with them.

#### **Final Rule Clarifies IRA Insurance Coverage**

The NCUA Board adopted final amendments to Part 724 and 745 permitting FCUs in the Commonwealth of Puerto Rico and U.S. territories to offer trustee services for IRAs and clarifying that IRAs are insured separately from other member accounts. This action ensures that IRAs are treated the same throughout the US, its territories and possessions.

Votes are unanimous unless otherwise noted.



## EMPOWERING SMALL CREDIT UNIONS

*The following letter is one example of how small credit union attendees benefited from NCUA's Empowerment Workshops. Networking sessions were a major part of each workshop held in the last two years. As a result, many partnerships and alliances developed as participants used the opportunity to meet, greet and exchange ideas.*



February 21, 2000

Norman D'Amours  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Mr. D'Amours:

Mr. D'Amours, I am writing this letter let you know what is happening at the Triumph Baptist FCU as a result of the Empowerment Workshop held in Miami, FL in November 1999.

At the pool side party, we (Gensis Slaughter of CBC FCU, Jeanne West of Zion FCU and I) met a young lady by the name of Cherie Burke who is from the Covenant Savings FCU in Copperas, Cove TX. Meeting Cherie was a revelation of the Holy Spirit. Finally, I'm speaking with a church credit union whose assets are over \$1,000,000 processes new and used car loans, share drafts, have part-time and full time employees. What a revelation. I've been trying to figure out, how can I educate my members about the CU as well as financial information.

During this conversation with Cherie, I invited her to come and speak to the Triumph Baptist Church congregation and the members of the Triumph Baptist FCU using the same concept which she used four years prior to opening Covenant FCU and is currently still using.

So as a result of the Empowerment Workshop - Triumph Baptist FCU, CBC FCU and Zion FCU have scheduled a workshop on Saturday, March 18, 2000 at the Triumph Baptist Church. We have invited all the church credit unions in the Philadelphia area and 80 other churches.

Attached is a copy of our flyer and information which pertains to the workshop.

Again, thanks for the Empowerment Workshop. Networking at its best - Credit Unions helping Credit Unions.

Sincerely,

Sharon A. Scullers  
Triumph Baptist FCU  
President

## FFIEC Risk Management Planning Seminar for 2000

The Federal Financial Institutions Examination Council (FFIEC) announces its 2000 Risk Management Planning Seminar.

### Who Should Attend:

Financial institution chief executive officers, directors, chief operating officers, chief financial officers and other executive level officers of banks, thrifts, and credit unions.

### Objectives of Program:

To encourage top management to establish or improve systems that facilitate financial institution-wide risk management and to discuss risk management issues with regulators.

### Location and Date:

**Chicago, Illinois**  
**June 1 - 2, 2000**  
The Westin Michigan Avenue  
909 N. Michigan Ave.

**Opening Address:** **James L. Sexton,**  
**Director, Division of Supervision**

Federal Deposit Insurance Corporation

**Luncheon Address:** **Laurence H. Meyer, Governor**  
**Board of Governors of The Federal Reserve System**

### Program Highlights

- Capital Markets Treasury Risk
- Operational Risks and Basel Accord
- Insurance Underwriting Risks
- Emerging Technology and Internet Banking Risks
- Emerging Credit Risks

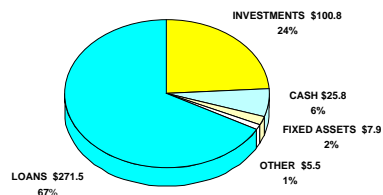
**Cost: \$350 for 1 & 1/2 day Seminar** (Tuition includes program materials, two continental breakfasts and one luncheon.)

- Early registration is encouraged as space is limited and past sessions have sold out.
- If you require special assistance to fully participate in the conference, please provide a written description of your specific needs with your registration form.
- For additional information, please call the FFIEC Examiner Education Office at 703-516-5588 or refer to the FFIEC Web

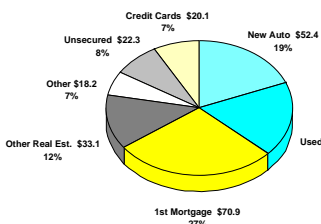
**Site:** <http://www.ffiec.gov/exam/education.htm>

## Yearend Statistical Charts

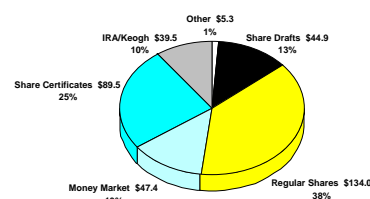
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(Billions of Dollars)



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# Board Members Meet with Federation Committee Members

The Government Relations Committee of the National Federation of Community Development Credit Unions (NFCDCU) recently met with all three NCUA Board members regarding their concerns about the prompt corrective action (PCA) rule now out for comment. The group cited the potential impact on small credit unions and inquired about the level and types of NCUA assistance that will be available to small credit unions to meet PCA mandates in the initial phase of implementation.

"As a strong supporter of low-income credit unions," Chairman D'Amours commented, "I am always pleased to do whatever I can to assist them. I am gratified that the Congress has seen fit to endorse our requests for more funding for the Revolving Loan Program and that the Administration has proposed additional technical assistance for low-income designated credit unions."

"Small credit unions need to know that NCUA has both staff and budgetary resources to assist them with the development of a Net Worth Restoration Plan

(NWRP)," said NCUA Board Member Yolanda Townsend Wheat. The Agency has developed internal guidelines for examiners and training modules to assure that the examination staff is prepared to assist small credit unions with their NWRPs. In addition, the NCUA budget for the Year 2000 includes \$125,000 to assist small credit unions in their preparation of NWRPs. According to Board Member Wheat, "Any small credit union which, under PCA requirements, needs to prepare a NWRP should immediately contact its NCUA examiner."

The NFCDCU Committee also asked NCUA to make sure small credit unions were made aware of recent changes in NCUA Bylaws that gives federal credit unions the ability to make investments in their communities through loans up to \$50,000 to not-for-profit organizations without the restrictions of personal guarantees or additional collateralization. The change allows federal credit unions to make critical investments in the communities that need them most.

In addition, the committee asked that the NCUA Board consider elimination of the 20 percent or \$1.5 million cap on non-member deposits for low-income designated credit unions. The Committee made the case that repeal of the cap would permit low-income designated credit unions to capitalize on their unique ability to accept non-member deposits as a means of meeting PCA-mandated capital requirements.

Board Member Dennis Dollar is sponsoring "Reg-Flex," which would include removing the cap for healthy low-income credit unions. He visited Federation committee members during a visit to New York February 15<sup>th</sup> where discussions included elements of his Reg-Flex proposal, scheduled for consideration by the NCUA Board March 16.

"I always appreciate the opportunity to visit with representatives of the Federation," Board Member Dollar told committee members. "I am especially pleased with the valuable comments and insight the committee provided regarding Reg-Flex, PCA and other important issues."



Feb 15, 2000, New York City—Board Member Dennis Dollar discusses his RegFlex proposal with National Federation of Community Development Credit Union (NFCDCU) representatives Brian Gately, Keith Bonds and Aron Weisner during a visit to Federation headquarters in New York. Also present at the meeting were Federation Director Cliff Rosenthal, and Federation Board Members Joy Consumer and Harold Foster.



Feb. 25, 2000, Alex., Va.—NCUA Board Member Yolanda Townsend Wheat (third from left) with the Government Relations Committee of NFCDCU. Left to right are Harold Foster, Mt. Zion Baptist FCU, San Antonio, Texas; Clifford Rosenthal, Exec. Dir., NFCDCU; Mrs. Wheat; Rita Haynes, Faith Community United Credit Union, Cleveland, Ohio; Joy Cousminer, Committee Chair and CEO of Bethex FCU, Bronx, NY; and Woodrow Keown, College Station Community FCU, College Station, Ariz., and chair of NFCDCU.

# CU Exams in 2000: What's New, What to Expect

NCUA Examination and Insurance Director Dave Marquis told CUNA Governmental Affairs Conference participants that NCUA's examiners will become more risk management focused, the AIRES exam is evolving to allow more flexibility to accommodate different types of credit union operations, good examiner training is imperative as investments and lending become more complex, and more examiners will become specialized as exams become less retrospective and more forward looking at managerial process controls and methods of evaluation.

Marquis said, "While the number of credit unions is declining, the concentration of risk is getting larger. (In response,) NCUA examiners must become more risk focused. The level of services credit unions offer is broadening, and NCUA must ensure that credit unions can fully participate in the cyber financial services arena."

"Credit unions need to be in cyber-services to be competitive," Marquis said. "NCUA does not want our exam to be an impediment in any way. Rather, we want to offer effective, flexible guidance that without question protects customer security and maintains member confidence."

Office of Investment Services Director Ed Dupcak emphasized the importance of strategic planning. He said the examination process would be refocused to consider the changes necessary for effective asset liability management and the need for examiners to be forward thinkers, mindful of industry trends to effectively evaluate risk.

Discussing how NCUA's new strategic plan may impact the exam process, Region I Director Layne Bumgardner said that in the future credit unions and examiners will be urged to consider the far-ranging effects of economic cycles, field of membership, electronic banking, expanding fields of competitors, evolving products and services, privacy and security affects on members, and the need for a strong volunteer base.

As always, NCUA's examination process will continue to emphasize safety and soundness and financial stability while adding revitalized emphasis on an outreach program to advance an understanding of credit unions, charter new credit unions and expand service to unserved Americans.



*Feb. 16, 2000, Springfield, Va.—NCUA Board Member Yolanda Townsend Wheat, right, Service Center Corporation President and CEO Daniel J. Balagna, and Branch Manager Renee D. Faggins prepare to cut the ribbon dedicating Service Centers' 24th Branch opening. Service Centers Corp. is a Michigan-based CUSO with 240 members. In remarks at the dedication Wheat said, "I am a strong proponent of CUSOs. CUSOs that offer shared branching in particular allow credit unions to have a presence where they otherwise couldn't."*



Visit NCUA's extensive web site to get news and numbers about NCUA and credit unions. The web address is [www.ncua.gov](http://www.ncua.gov).

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Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

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